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State sues S&P over flawed ratings of securities

IBJ Staff June 28, 2013 KEYWORDS [BANKING & FINANCE](#), [GOVERNMENT](#), [GOVERNMENT & ECONOMIC DEVELOPMENT](#), [INVESTING](#), [LAW](#), [LAWSUITS](#), [LEGAL ISSUES](#), [STATE GOVERNMENT](#)

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Indiana has joined a parade of states suing Standard & Poor's over its awarding of favorable ratings to securities that blew up when the housing market collapsed.

Indiana's case, filed Thursday in Marion Superior Court, charges S&P with "systematically and intentionally" misrepresenting its analysis of securities backed by commercial or residential mortgages in order to "maximize revenue and market share."

At least 17 states have filed similar lawsuits. Indiana's case, filed by Securities Commissioner Chris Naylor, does not specify the amount of damages the state is seeking. It alleges fraud, deception and violations of the Indiana Uniform Securities Act.

S&P, a unit of New York-based McGraw-Hill Cos., has denied wrongdoing and said that any lawsuit would be without merit.

The state says investors relied on S&P to accurately rate the riskiness of various mortgage-backed securities.

Issuers paid the firm and its chief rival, Moody's Investors Service, substantial amounts to assess the investments, which grew ever-more complex through the 2000s. The state charges that S&P's desire to win additional business colored its analysis.

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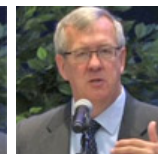
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Charlie stole my comment title

Elaine June 28, 2013 4:13 PM

As I was reading this, the first thought that came to me was 'Bout Time! This crisis ruined more people than Bernie Madoff. Bottom line, don't live beyond your means though.

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'bout time

Charlie June 28, 2013 2:33 PM

From Wiki: According to the Financial Crisis Inquiry Report, 73% of the mortgage-backed securities Moody's had rated triple-A in 2006 were downgraded to junk by 2010.[37] In its "Conclusions on Chapter 8", the Financial Crisis Inquiry Commission stated: "There was a clear failure of corporate governance at Moody's, which did not ensure the quality of its ratings on tens of thousands of mortgage-backed securities and CDOs." [38] ... In April 2013, Moody's reached a settlement avoiding what would have been their first jury trial over crisis-era ratings. The fourteen plaintiffs, were led by Abu Dhabi Commercial Bank and King County, Washington. They claimed lawsuits filed in 2008 and 2009 that Moody's misled them by allegedly inflating ratings on two so-called structured investment vehicles they purchased.[46] ... Somebody screwed up. Another reason: failure of people repay loans that were far beyond their means.

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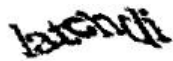
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